E-002/GR-92-1185 ORDER APPROVING COMPLIANCE FILINGS AND REQUIRING FURTHER FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Marshall Johnson	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner

In the Matter of the Application of Northern States Power Company for Authority to Increase Its Rates for Electric Service in the State of Minnesota

ISSUE DATE: April 4, 1994

DOCKET NO. E-002/GR-92-1185

ORDER APPROVING COMPLIANCE FILINGS AND REQUIRING FURTHER FILINGS

PROCEDURAL HISTORY

On September 29, 1993, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in the above-captioned rate case.

On January 14, 1994, the Commission issued its ORDER AFTER RECONSIDERATION.

On February 10, 1994, Northern States Power Company (NSP or the Company) submitted filings intended to conform with the requirements of the aforementioned Orders. The filings included revised schedules of rates and charges, explanations of changes made, a summary of electric sales and revenues, work papers, a refund proposal, and proposed customer notices.

On February 22, 1994, the Department of Public Service (the Department) filed comments recommending approval of the Company's filings.

No other party filed comments.

The matter came before the Commission for consideration on March 17, 1994.

FINDINGS AND CONCLUSIONS

I. Introduction

NSP's filings included rate design proposals, customer notices, and a proposed refund calculation and implementation plan.

II. Rate Design Proposals

The Commission made more than 30 rate design determinations in the September 29, 1993 and January 14, 1994 rate case Orders. The Company's compliance filings conformed in every essential respect with the findings and ordering paragraphs of those Orders.

Three rate design proposals require further explanation in this Order: the performance factor and interruption credit limiter; the experimental three-part peak-controlled tiered TOD service; and the high load factor energy charge discount.

A. Performance Factor and Interruption Credit Limiter

The performance factor measures the customer's amount of controllable load during the Company's peak summer months as compared to the customer's annual maximum controllable load. The performance factor is used to determine the different demand charge credits of the Company's new interruptible rate schedules.

In its compliance filings the Company removed the interruption credit limiter which it had originally included in the new tiered tariffs. The Company stated that application of the limiter in conjunction with the tiered performance factor level discount would be impractical. Further, removal of the interruption credit limiter would ease the transition to the new interruptible tariffs.

The Department noted that the concept of an interruption credit limiter was not addressed in the Commission's rate case Orders or in the parties' Stipulation Agreement. The Department recommending approving the Company's proposed removal of the limiter.

The Commission agrees with the Department that removal of the interruption credit limiter does not violate the Commission's rate case findings. The concept was not mandated by the previous Orders and implementation of the limiter in conjunction with the performance factor would be impractical. The Commission will accept this proposal.

B. Experimental Three-Part Peak-Controlled Tiered TOD Service

In the rate case final Orders the Commission approved rate adjustments for two experimental three-part time of day (TOD) tariffs: the General TOD Service and the Peak-Controlled TOD Service. In its compliance filings the Company proposed a third experimental three-part TOD tariff option: the Peak-Controlled Tiered Service option.

The Department stated that the Company's new proposal did not violate the intent of the Commission's final Orders, as long as the Company maintained the restrictions imposed on three-part TOD experiments.

The Commission agrees that the Company's proposed Peak-Controlled Tiered Service option is acceptable. The restrictions placed on the previously accepted three-part TOD experiments will apply to this offering: a maximum of 30 customers participating; a minimum of 18 municipal pumping customers; and the imposition of filing requirements. The Commission will accept the proposed Peak-Controlled Tiered Service option.

C. High Load Factor Energy Charge Discount

In the rate case final Orders the Commission approved a high load factor energy charge discount for the modified General Service and the modified General TOD Service rate options. In its compliance filings the Company applied the discount to all of its demand-metered tariffs.

The Department did not oppose the application of the high load factor discount to all demand-metered tariffs. Since all energy charges for demand-metered customers are based on the General Service tariff, the Department believed that extending the discount complied with the spirit of the Commission's Orders.

In the September 29, 1993 rate case final Order the Commission found that the high load factor energy charge discount had merit. Although the Commission did not then require the Company to provide specific cost data supporting the discount, the Commission invited the Company and all intervenors to further explore this issue in the Company's next general rate case.

In its compliance filing, the Company proposed extending the high load factor discount to all demand-metered tariffs, which would change the cost responsibility within the Commercial and Industrial class. It is unknown at this time what impact extending the high load factor discount would have on low load factor General Service customers, or on all demand-metered customers. For this reason, the Commission will change its previous "invitation" to a requirement that the Company explore the impact of the high load factor discount in its next rate case. At a minimum, this should include a class cost of service study that separates the General Service class into appropriate segments.

III. Customer Notices

The Company filed proposed customer notices for Residential, Commercial, and Industrial customers. The Commission finds that the proposed notices accurately explain the new rates to customers. The Commission will accept the Company's notice filings.

IV. Refund Plan and Refund Computation

In its compliance filings NSP made three significant adjustments to the refund calculation: changes to the final rate increase to account for Financial Accounting Standard (FAS) 106 cost recovery; a modification to the interim rate increase to reflect a change in its test year sales forecast; and recovery of CIP tracker and rate case expenses in the refund.

1. FAS 106

In September 22 and November 2, 1992 generic Orders in Docket No. U-999/CI-92-96, the Commission established a FAS 106 cost deferral mechanism which would become effective January 1, 1993, and would continue through individual final rate case decisions. FAS 106 costs would not be included in interim rates.

NSP deferred incremental FAS 106 costs for the 1993 test year. In the compliance filings, the Company stated that it would cease deferral and commence amortization of the deferred amount as of December 31, 1993. The $72,169,00 final rates would include ongoing FAS 106 costs, plus an amortization of the amount deferred during the test year.

In its compliance filings NSP proposed removing the incremental FAS 106 revenue requirement of $14,185,000 from final rates for refund calculation purposes. This would avoid a double recovery of both incremental and amortized FAS 106 costs. After the proposed adjustment the test year final rate increase would be $57,984,000 for refund purposes.

The Commission finds that this Company proposal to adjust final rates for refund purposes is appropriate and reasonable. The proposal will avoid an inequitable double recovery of FAS 106 costs.

2. Revised Test Year Sales Forecast

During the rate case NSP agreed that its test year sales forecast should be modified upward. In its compliance filing the Company increased the interim rate requirement to $71,842,000 for refund calculation purposes, to reflect a higher interim sales forecast.

The Commission agrees that this adjustment is appropriate and reasonable.

3. CIP Tracker and Rate Case Expenses

In the rate case final Orders the Commission allowed the Company to recover its pre-test year

Conservation Improvement Program (CIP) tracker balance of $626,000 and rate case expenses of $869,000 from the interim refund. The Company has appropriately reflected these recoveries in its compliance filings.

4. Final Refund Calculation

After subtracting the adjusted final increase amount of $56,984,000 from the adjusted interim increase of $71,842,000, as adjusted for CIP tracker and rate case expenses, there results a theoretical refund requirement of $12,363,000. Because actual sales for the test year were below rate case forecasts, NSP estimates that $11,805,000 will actually be refunded, plus interest.

The Commission finds the Company's final calculations to be appropriate and accurate and will accept them. The Commission will require the Company to provide a report of actual refunds made within 30 days of the completion of the refund.

ORDER

1. The Commission accepts NSP's February 10, 1994 compliance filings, including proposed tariff sheets, refund plan and customer notices. Rates shall be effective for service on and after March 31, 1994.

2. The Company shall provide a report of the actual refunds made within 30 days of the completion of the refund process.

3. The Company shall explore the impact of the high load factor discount in its next general rate case. At the minimum, exploration of this issue should include a class cost of service study that separates the General Service class into appropriate segments.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)